

NIO/W
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WESTERN EUROPE

GREECE/TURKEY: Confrontation

The risk of unintended escalation to violence by either side continues--as recently evidenced by a brief border clash in December that left three dead. Greek intransigence on Aegean issues continues. Each side apparently believes the US can prevent war--an attitude that may encourage recklessness and lack of restraint that could trigger confrontation through miscalculation and escalation.

MALTA/LIBYA: Libyan Efforts to Buy the Election

Political tensions will rise sharply as the country faces a close and bitterly fought election contest which must be held by May between the pro-West Nationalist Party and the ruling pro-Libyan Labor Party. Qadhafi already has contributed \$150,000 to Labor's campaign coffers this year, and may have given as much as \$7 million in 1985. In a clean election, the pro-Western party looks likely to win, but Labor's control of the electoral machinery indicates it will narrowly win the election. Libya's push to expand its influence in Malta would thereby be boosted.

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NEAR EAST/SOUTH ASIA

AFGHANISTAN/PAKISTAN/USSR: Soviet Pressure Mounts

Soviet/Afghan bombing and airspace violations of Pakistan--the Pakistani's report 757--increased in quantity and aggressiveness in 1986. The Pakistani Air Force has authorized hot pursuit into Afghanistan of intruding Soviet or Afghan aircraft. Soviet exploitation of tribal restiveness in Pakistan and a stepped-up subversion campaign--apparently including harassment of US and foreign missions--continue to be growing problems for Islamabad.

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EGYPT: Prospects for Instability

In the face of acute economic deterioration and increasing activity by religious activists, President Mubarak will be hard pressed to maintain control. A sweeping restructuring of the economy is needed, but implementation would be certain to provoke extensive protests and riots that will threaten Mubarak's tenure in office. Mubarak seeks closer relations with Arab states both to improve Egypt's access to financial assistance and to enhance his political situation at home.

INDIA/CHINA: Border Dispute

The renewed border dispute could lead to limited military clashes. The Chinese have been increasing their force level in the area. Beijing has been unusually tough in demanding that India withdraw its forces and dismantle military posts in Chinese territory. The PRC's deployment of fighter aircraft to the region for the first time since 1978 and probable recent Chinese VIP visits to the disputed area signal growing Chinese concern. India's recent inclusion of the disputed area into a new state will likely exacerbate the situation. Even so, Gandhi will seek to avert escalation of the dispute, but missteps or overreaction by local commanders could precipitate an exchange of fire.

INDIA/PAKISTAN: Can War Be Avoided?

Despite the recent signing of a memorandum of understanding calling for a phased pull-out, over the next 15 days, of troops from a sensitive area of the border by both India and Pakistan, the risk of war remains high. India has moved at least 23 divisions toward the border. About one-third of the deployments from central and eastern India have been to areas near Pakistan not related to the BRASS TACKS exercise area. The accidental outbreak of widespread hostilities could occur at any time with little warning. On the other hand, the Indians have not yet completed preparations for an invasion if that is in fact their intention.

INDIA/PAKISTAN/USSR: Nuclear Weapons and Leverage

Moscow's warnings to Islamabad on nuclear weapons and its support for the Afghan resistance represent attempts to intimidate Pakistan that are unlikely to work. It affords Pakistan, however, greater opportunity to pressure the US to overlook its unabated nuclear weapons development and deployment program

in order to meet its increased military and security needs. Moscow also has been heightening India's fears of Islamabad's intentions. NIO/Warning notes that we should be prepared for the eventuality of a weapons test in the subcontinent within a year because India, like Pakistan, has the technical capability to manufacture and detonate nuclear devices within a short time of a decision to do so.

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IRAN/IRAQ: Internal Developments

Political stakes in the war are high. The potential for sudden collapse of either government is out of proportion to actual or likely military results. Rising casualties and continued Iranian advances into Iraqi territory are likely to provoke increased civilian discontent and military opposition to Husayn. Within the Iranian regime, differences over conduct of the war have sparked substantial--and still unresolved--infighting and recent Iranian gains most likely have strengthened the hand of those who favor a more aggressive prosecution of the war. NIO/Warning notes that if Iranian casualties have been as high as reported and Iraq recovers lost ground, the situation in Tehran might quickly change. Khomeini already appears to have lost some control of the power struggle among his would-be successors and his death could trigger chaos.

GULF ARAB STATES: Spillover of the War

In the wake of concerted Iranian attacks on Kuwaiti shipping, Kuwait has been attempting to hide the identity of its tankers by substituting the names of foreign flags such as of Panamanian ships. Iran might, in consequence, resume attacks against any shipping target of opportunity. Efforts to intimidate Kuwait are likely to increase as the war drags on. The use of Soviet warships to escort Soviet arms carriers and Soviet leased tankers to Kuwait may lead to a more nearly continuous presence of Soviet warships in the Gulf and increases the possibility of confrontation between Iran and the superpowers.

ISRAEL/SYRIA: War?

Broad Israeli military action remains likely because Damascus' quest for dominance in Lebanon and its expanded coverage of Israeli airspace is on a major collision course with Tel Aviv's interests. From Syria's side, the absence of a major Israeli reaction to Assad's moves may encourage the usually cautious President to believe he can manage step-by-step confrontation with Israel in a way that will leave him in control of the escalation. In this event, we believe he is more likely to miscalculate than to control an escalation. Although neither side appears to want a general war, there is a substantial probability--we believe greater than one in three--that conflict on a larger scale will break out in the next year.

KURDS/TURKEY/IRAQ/IRAN: Kurdish Tinder, Iranian Match

Recent reporting suggests Iran's manipulation of the Kurds in Iraq in active support of Kurdish attacks on the oil economy of northern Iraq have involved Turkey in the region. Turkish forces in the areas bordering Iraq are in the process of being heavily reinforced amidst rumors in Ankara of awakened Turkish Kirkuk irridentist interests in the area. Although without evident foundation, these rumors have apparently influenced Baghdad and may complicate Turkish and Iraqi efforts to control the Kurds in their mutual

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border areas. It seems clear that Turkish warnings to Iran concerning Tehran's meddling in the Kurdish problem are serious and could, given no improvement in the situation, presage a significant Turkish incursion into the Iraqi/Iranian Kurdish regions sometime in the coming year.

SYRIA: Internal Struggle

Assad is facing new opposition from senior military officers and is responding by replacing some while granting more power to family members. These changes reflect Assad's view that he is under special pressures. As the already bad economic situation deteriorates further--in tandem with Assad's health which could soon leave him incapacitated--the chances of a sudden change of government grow.

TUNISIA: Rapidly Increasing Instability

Bourguiba's attempts at rapprochement with Libya are not likely to deter Qadhafi from attempting to influence events in Tunisia. Tensions from Tunisia's ever-deteriorating economic situation will fuel discontent and could destabilize the country during the succession crisis when it comes. The post-Bourguiba period almost certainly will offer new opportunities for Libyan-sponsored subversion.

EAST ASIA

PHILIPPINES: Business As Usual?

The strong popular approval of the new constitution in the 2 February plebiscite will ease political confrontations temporarily, but the complex struggle for power will resume within a few weeks. The Communists and their front groups will sharpen political attacks on the government, and the New People's Army may mount military and terrorist assaults in Manila and other urban areas, using guerrillas who have moved into the cities in the last few months. The Communists may calculate they can score significant gains by seizing the military initiative before the AFP can mobilize. The deep divisions in the armed forces, dramatized by the "mutiny" of 27-29 January, will encourage the Communists to take the offensive.

The near-term outlook is for a rapid deepening of political polarization that will place both President Aquino and General Ramos in a tight spot between irreconcilable forces on left and right. This situation would not only harden the government's paralysis but could create an even more volatile environment for provocations and power plays by both ends of the spectrum. Further attempts to discredit Aquino and coup plotting will mount as National Assembly elections, scheduled for May, approach. The chances of violence against US personnel and military facilities will probably increase substantially in the next three months.

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SOUTH KOREA: Flames Beneath the Smoke?

The recent death of a South Korean student in police custody has reinvigorated Chun's opposition and has delayed his timetable for constitutional reform. Seoul is ready to take harsher measures to prevent the opposition from capitalizing on the current mood, and the likelihood of political confrontation this spring is growing. Constitutional revision measures or National Assembly elections scheduled for April also may spark disorders that may require military intervention. Should key military leaders view Chun as losing control they might choose to overthrow him, but we probably would receive little additional warning. P'yongyang may misintrepret developments in South Korea as loss of control spurring it to escalate activities against the South.

LATIN AMERICA

CHILE: Intransigence

Pinochet's political isolation is growing in spite of lifting the state of siege; support from the military at large probably will continue to wane as Pinochet continues to make statements expressing his intent to stay on beyond 1989. Non-Army junta members have publicly reiterated their calls for a dialogue with moderate parties and pressures for decisive change before 1989 are building from the moderate opposition and the Church.

ECUADOR: Tenuous Tenure

Febres-Cordero's decision to move against Vargas will keep the political environment polarized and virtually eliminate any prospect for compromise. The increasing political polarization and unresolved splits in the military will keep Febres-Cordero on the defensive and dependent on the Army. If he fails to back the Army's demands, he risks losing its support and increasing the possibility of a coup.

HAITI: Storm Warning

One year after the departure of Duvalier, Haiti is experiencing more intense antigovernment protests and violence that could lead to the disintegration of the Namphy government sooner rather than later. March's referendum on the constitution will not alleviate this deteriorating situation. With growing civil unrest, unemployment over 50 percent, and incipient but mounting anti-Americanism, the extreme right--threatened with the loss of key monopolies and an anticorruption campaign--may encourage discontent that it believes could develop into a military coup. Moderate elements--particularly the Church and business community--have little confidence in the government's ultimate ability to control the security situation. Opportunities for foreign exploitation will increase.

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JAMAICA: Hard Times May Aid Manley

Political tensions are likely to remain high, and economic woes are deepening. Manley's chances of winning national elections--which President Seaga has called for August 1987--remain high.

MEXICO: Political Crisis

Rapid inflation, mounting debt repayment problems, flight of capital, depressed oil prices, electoral fraud, and austerity measures will continue to generate widespread popular and business dissatisfaction and prompt sporadic civil disturbances, especially in the northern states.

NICARAGUA/HONDURAS: Continuation of Hostilities

The Sandinistas remain militarily strong in the North and will try to maintain some presence inside Honduran border regions, thereby keeping pressure on the Honduran government to restrict rebel activities. Honduras is likely to seek further reassurances of US support, as Managua steps up propaganda efforts aimed at embarrassing Tegucigalpa. NIO/Warning notes that the potential for Sandinista forces to fire on US military personnel in Honduras continues.

SURINAME: Vulnerable to Collapse and External Influence

Military stalemate between the 200-person rebel force and government forces continues, but more effective rebel attacks--despite a growing ammunition shortage--against economic targets are straining the government. This pressure--plus civilian discontent with the mangled economy, labor unrest, and human rights abuses--is increasing the chance of a governmental collapse. Libya is trying to capitalize on the Surinamese military's frustration in fighting the rebels to establish influence in the region.

SUB-SAHARAN AFRICA

ANGOLA: Prospects for Clash with South Africa Grow

The risk of direct South African-Soviet/Cuban clashes remains as the Angolan government is contesting ground in UNITA-controlled territory.

MOZAMBIQUE: Advantage to the Insurgents

President Chissano faces growing dissatisfaction in the government and ruling party that will make it difficult to maintain the fragile consensus between hardliners and moderates. Much increased insurgent efforts against the Beira railroad--and possible raids by South African commandos almost certainly will occur if neighboring countries divert substantial traffic from links through South Africa, despite Zimbabwean and Tanzanian military assistance. Pressures on the regime will increase as insurgent successes increase.

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NIGER/LIBYA: Libyan Activities

Libya seeks to take advantage of Niger's inability to control its northern border area to assert a questionable territorial claim over the longer term, and ultimately Qadhafi would like to topple President Kountche. Kountche's recent health problems have highlighted the problem of succession. Increased Libyan meddling and subversion--probably using Libyan-trained Nigerien surrogates--can be expected as Qadhafi escalates activities in Africa, and as uncertainty over the succession takes hold.

SOUTH AFRICA/FRONTLINE STATES: Confrontation

As May's parliamentary elections approach, the South African government's belligerent actions, unprecedented media restraints and massive extraconstitutional effort to suppress dissent--apparently including an assassination program targeted at internal opposition groups--will intensify. As the government continues on a collision course with most of the Churches, labor, students, and blacks domestic polarization will be exacerbated, and the influence of moderate blacks and whites who seek compromise weakened. Externally, new South African cross-border raids are likely, and further actions by Pretoria in Angola, Mozambique, and other frontline states will spawn an ever more intractable situation. Pretoria's increasingly coercive measures against neighboring states are affording new opportunities for Soviet exploitation, especially in Zimbabwe.

SUDAN/LIBYA/ETHIOPIA: Precarious Tenure

The Sadiq government remains in danger of collapse. New coup plotting to topple Sadiq is certain. Additional Ethiopian air incursions into Sudan and continued support to Sudanese insurgents coupled with reductions in US aid may lead to increased Libyan influence over the Sadiq government. Sadiq's recent unilateral decision to abrogate the agreement providing for prepositioning of US military equipment at Port Sudan--and his refusal to provide overflight clearances to US aircraft ferrying supplies to Chad--have increased dissension within his government and military.

SOVIET UNION/EASTERN EUROPEEASTERN EUROPE: Under Pressure

Through much of Eastern Europe dissent--and its causes--is increasing. To varying degrees the present governments are under new pressures:

--A recent series of bombing attacks on government buildings throughout Czechoslovakia, which included threats to blow up a rail line, underscores growing public dissatisfaction with Prague's economic policies. New crackdowns will cause dissent to fester.

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--Growing political and economic problems are making it increasingly difficult for Secretary Kadar to maintain effective Party leadership in Hungary. He could resign any time this year for "health reasons" in an attempt to facilitate governmental and economic reform. Widespread discontent among the populace will certainly mount if reforms are not initiated and if living standards continue to decline.

--Polish blue collar workers, farmers and retirees will soon join the ranks of the students and others opposed to the government should price increases and wage freezes plus a possible currency devaluation go into effect. This combination of issues and political forces produced the Solidarity movement in the early 1980's. At a minimum the political temperature of the nation is likely to rise and may be reflected in mounting civil disorder in major cities.

--Pressures seem greatest in Romania where the continuing debt and liquidity crises have caused economic prospects and the quality of life to become more dismal as fuel, commodities, electricity, medical care and basic foodstuffs become extremely scarce. Industrial production for 1987 is not likely to improve, even with the introduction of a seven-day work week. Incidents of worker and military unrest are likely to continue. More importantly, as conditions worsen the Soviets will be in a position to exert even more pressure than before.

USSR: Massive Need for Hard Currency

The Soviets face substantial reductions in hard currency earnings from oil this year at a time of increasing need for imports for modernization. Their problem is exacerbated by the consequences of the Chernobyl nuclear accident, which evidently moved them to shut-down a number of nuclear power reactors for at least a year. Moscow increasingly will rely on Western credit markets; squeeze oil supplied to Eastern Europe to try to barter it on the international market; sell more gold; and try to promote new exports--arms, vehicles, metals, and shipping services--at bargain prices to gain needed hard currency.

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